BERGVLIET HIGH SCHOOL

GRADE 10 **ACCOUNTING PAPER 1** **TIME: 2 HOURS**

MARKS: 150 **DATE: NOVEMBER 2024**

EXAMINER: L. CHADZINGWA

MODERATOR: C. STEVENS

INSTRUCTIONS

1. Answer ALL the questions in **ANSWER BOOK** provided.
2. **SHOW ALL CALCULATIONS** in order for part marks to be allocated.
3. Read the instructions carefully and follow them precisely.
4. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.
5. Non-programmable calculators may be used.
6. A formulae sheet is provided.

QUESTION	TOPIC	MARKS	TIME
1	Analysis of Transactions	25	20 minutes
2	GAAP and Income statement	60	48 minutes
3	Balance sheet	30	24 minutes
4	Analysis & Interpretation	35	28 minutes
	Total :	**150**	**120 mins**

QUESTION 1 ANALYSIS OF TRANSACTION (25 Marks: 20 Minutes)

1.1. CONCEPTS (5 Marks: 4 Minutes)

Choose the correct word(s) from COLUMN A to match the description in COLUMN B. Write only the letter (A-F) next to the question number (1.1.1-1.1.5) in the ANSWERBOOK.

COLUMN A	COLUMN B
1.1.1. The document used by the business when debtors return goods back to the business.	A. Income
1.1.2. Objectivity, trust and integrity	B Original Invoice
1.1.3. Money withdrawn by the owner	C. Ethical principle
1.1.4. Sources of earnings for the business	D. Credit note
1.1.5.The document used when goods are sold on credit to a debtor	E. Drawings
	F. Motor vehicle, land and buildings and equipment

ACCOUNTING EQUATION (20 Marks: 16 Minutes)

1.2. You are provide with information relating to Springboks Traders a business owned by Logan Garry for the month of November 2023

Required:

Analyse the following transactions according to the columns provided

Example paid weekly wages via EFT R1 000

1.2.1. Purchased the following items from Troose Traders via EFT:
- Trading stock R11 240
- Stationery for owners son R1000

1.2.2. Goods sold on credit to WH Traders. The cost price (R8 000), mark-up on cost was 75%.

1.2.3. The owner increased his capital contribution by transferring R75 000 from his personal account into the business current bank account.

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QUESTION 2: GAAP AND INCOMESTATEMENT

(60 marks; 48 minutes)

2.1 GAAP PRINCIPLES

Choose a term from COLUMN B that matches the description in COLUMN A. Write ONLY the letter (A – F) next to the question number (2.1.1 – 2.1.5) in your ANSWER BOOK, (5)

COLUMN A	COLUMN B
2.1.1. Financial statements are drawn up on the assumption that the business will continue to trade in the foreseeable future.	A Historical cost principle
2.1.2. Income and the expenses must be recorded in the correct accounting period regardless of whether it's been paid or received.	B Business entity rule
2.1.3. Information that is important and that will influence the decision-making process, must be shown separately in the financial statements.	C Prudence principle
2.1.4. Fixed assets purchased are recorded in the financial statements at its original cost.	D Materiality principle
2.1.5. Money lost due to theft of stock is written-off, even though there is a possibility that it may be recovered in future.	E Matching principle F Going-concern principle

2.2. INCOME STATEMENT

The information set out below was taken from the books of MDE Distributors as at 28 February 2023.

REQUIRED:

Prepare the Income Statement of MDE Distributors for the year ended 28 February 2023. (55)

INFORMATION:

Pre-adjustment Trial Balance of MDE Distributors on 28 February 2023

	Debit	Credit
Balance Sheet Accounts Section		
Capital		784 490
Drawings	403 860	
Loan: C Bank (18% p.a.)		235 000
Land and Buildings	910 000	
Equipment	140 000	
Accumulated Depreciation on Equipment		52 000
Trading Stock	16 500	
Debtors' Control	20 720	
Bank	55 500	
Creditors' Control		135 000
Nominal Accounts Section		
Sales		875 000
Cost of Sales	400 000	
Debtors' Allowances	13 000	
Commission Income		8 400
Salaries and wages	115 550	
Rent Income		40 300
Discount Allowed	800	
Discount Received		880
Insurance	9 800	
Bank Charges	1 210	
Bad Debts	2 300	
Telephone	12 560	
Water and Electricity	11 700	
Stationery	10 800	
Sundry Expenses	3 570	
	2 127 870	2 127 870

Adjustments and additional information:

A. Commission of R4 000 has not yet been received by the business.

B. The telephone account for February 2023 was not recorded, R1 450.

C. The business made a donation of stock with a selling price of R1 400 to a local crèche before stock count. The business uses 75% markup on sales. No entry was made of this transaction.

D. A physical stock count on 28 February 2023 revealed the following on hand:
- Trading Stock R15 500
- Stationery R460

E. A debtor who owed R1 200 was declared insolvent. A dividend of 40 cents to the rand was received and recorded. Write-off the remaining debt as irrecoverable.

F. An amount of R2 000 received from B. Ben, a debtor whose debt was written-off as irrecoverable the previous year, was not recorded.

G. The February Bank Statement was received after the pre-adjustment trial balance was drawn up. The following must be adjusted:
- Interest on favourable bank balance, R480.
- Bank charges, R183.

H. The insurance amount includes an annual premium of R2 160 paid on 1 July 2022.

I. The rent for March 2023 has already been received.

J. Interest on the loan from C Bank has not yet been. Interest is capitalised. The loan statement received from C Bank reflected the following:

Balance on 1 March 2022	R270 000
Repayments made during the year	R85 000
Interest for the year	?
Balance on 28 February 2023	R235 000

K. Depreciation for the year is calculated as follows

Vehicles: R 7 000, Equipment: R5 800.

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QUESTION 3. Balance Sheet (30 Marks: 24 minutes)

You are provided with the Post-closing Trial Balance and additional information regarding Lights Up Suppliers for the financial year ended 28 February 2024.

REQUIRED:

3.1 Prepare the Balance Sheet of Livingstone Suppliers at 28 February 2024.Show calculations in brackets to earn part marks.

INFORMATION:

LIGHTS UP SUPPLIERS		
POST-CLOSING TRIAL BALANCE AS AT 28 FEBRUARY 2024		
	DEBIT	**CREDIT**
BALANCE SHEET ACCOUNTS SECTION		
Capital		630 800
Land and Buildings	680 000	
Vehicles	340 000	
Equipment	78 000	
Accumulated depreciation on vehicles		136 000
Accumulated depreciation on equipment		14 820
Trading stock	72 400	
Debtors' control	14 800	
Bank	34 100	
Petty cash	2 500	
Cash float	1 000	
Creditors' control		48 900
Fixed Deposit: N BANK	60 000	
Loan: C Loans		440 000
Consumable stores on hand	2 820	
Accrued income	3 400	
Accrued expenses		4 100
Income received in advance		6 000
Prepaid expenses	3 900	
Creditors for salaries		12 300
	1 292 920	**1 292 920**

ADDITIONAL INFORMATION:

1. Part of the fixed deposit at N BANK matures on the 30 June 2024, R25 000.

2. R100 800 will be paid back on the loan from C Bank in the next financial year.The loan is capitalised.

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QUESTION 4: ANALYSIS AND INTERPRETATION (35 marks: 28 min)

4.1. ANALYSIS AND INTERPRETATION

You have been provided with information from the financial statements of Jonah Jones, a retail business, for the year ended 28 February 2024.

REQUIRED:

4..1.1	Calculate the Mark-up % for 2024.	[3]
4.1.2	Comment on the change in the Mark-up %.	[2]
4.1.3	Calculate % Operating Expenses on Sales for 2024.	[3]
4.1.4	Should the owner be satisfied with the % operating expenses on sales?	[3]
4.1.5	Calculate the Solvency Ratio for 2024.	[4]
4.1.6	Calculate the Current Ratio for 2024.	[3]
4.1.7	Calculate the Acid Test Ratio for 2024.	[4]
4.1.8	Comment on the liquidity of the business.	[4]
4.1.9	Calculate the % Return on Equity for 2024.	[5]
4.1.10	Comment on the return on equity. Should the owner be satisfied with the return?	[3]

INFORMATION

A	**EXTRACT FROM THE INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2024**	
	2024	**2023**
Sales	1 485 000	1 150 000
Cost of Sales	(900 000)	(675 000)
GROSS PROFIT	585 000	475 000
Other operating income	90 000	100 000
Operating expenses	(440 000)	(420 000)
Operating profit	235 000	155 000
Interest Expense	(36 400)	(45 600)
Net Profit	198 600	109 400

B	EXTRACT FROM THE BALANCE SHEET ON 28 FEBRUARY 2024	
	2024	**2023**
Fixed Assets	1 015 600	1 169 000
Fixed Deposits	100 000	60 000
Current Assets	**237 000**	**237 000**
Trading Stock	140 000	160 000
Trade and Other Receivables	62 000	35 000
Cash and Cash Equivalents	35 000	42 000
	1 352 600	1 352 600
Owners' Equity	1 010 600	902 000
Non-Current Liabilities	180 000	380 000
Trade and Other Payables	162 000	184 000
	1 352 600	1 352 600

C	**Financial indicators**	**2024**	**2023**
Mark-up %		?	70.4%
% Operating expenses on sales		?	36.5%
Current Ratio		?	1.3:1
Acid Test Ratio		?	0.4:1
Return on Equity		?	13.2%
Interest rate for investment		11%	10%
Interest rate for loan		13.5%	12%

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THE END OF THE PAPER

FORMULA SHEET GRADE 10

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Owners' Equity}} \times \frac{100}{1}$
$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$	Current Assets: Current Liabilities	
$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	(Current Assets – Inventories): Current Liabilities	
$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	Total Assets: Total Liabilities	